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JULY 1984

ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

The pace of year-to-year increases in total domestic products supplied continued to be strong in July. Deliveries increased 648 MBD (4.3%), largely as a result of continuing substantial increases in light product deliveries.

Crude production rose 1.1%. Imports fell about 90 MBD from year-earlier levels and, on a deseasonalized basis, declined some 8% from first-half 1984 levels. Total inventories were at the same level as in June. They did not experience their normal seasonal rise mainly because of a sizable downward adjustment of previously-high gasoline inventory levels and lower imports related to price uncertainty in world oil markets.

Drilling activities improved over last year's level but have exhibited a rather inconclusive pattern in recent months. The July rig count advanced only minimally, when seasonally adjusted, over levels prevailing early this year. Wells reported drilled in June showed a slight decrease versus preceding months when adjusted for seasonal factors. July data are not yet available.

PRODUCTS SUPPLIED[1/]

Gasoline

DELIVERIES UP 4%; PRICES CONTINUE TO DECLINE.

Gasoline was supplied at levels about 290 MBD (4.3%) above last July's as a result of continuing gains in real disposable income (up 8% May 1983/May 1984) and further weakening of gasoline prices.

Since early May, gasoline prices have been declining almost uninterruptedly, a counter-seasonal pattern. Pump prices dropped a further 2¢ in July to a level some 9% below last year, adjusted for inflation, and on that basis are currently down about 25% from the March 1981 high. The decline in gasoline prices since early 1981 has, in fact, resulted in returning inflation-adjusted posted gasoline prices to their mid-1979 levels, despite sizable increases in federal, state, and local taxes that took place in the interim.

Exhibit I traces real gasoline prices, disposable income, and gasoline demand since 1979. While the significant price rises of 1979/80 depressed gasoline demand, their decline over the past 3½ years, coupled with rises in real disposable income, stabilized, and eventually helped to increase, gasoline demand.

Unleaded gasoline's market share, at 59%, is up more than three percentage points from last year's level. For the year to date, unleaded's share has risen at a roughly similar rate. U.S. car production showed the best July year-to-year gain since 1979. Sales are also reportedly strong, contributing to the gradual gain in unleaded gasoline's market share.

Distillates

DELIVERIES UP ABOUT 11%; ABOUT HALF THE INCREASE TAX-RELATED.

During July, distillate deliveries rose 246 MBD (10.8%) over year-earlier levels. Though volume indicators of truck and railroad traffic showed somewhat smaller rates of year-to-year increases than during the several preceding months, traffic increases are estimated to have still added about 100 MBD to distillate delivery levels. The remainder is likely to have resulted from anticipatory buying prior to a 6¢ per gallon increase in federal diesel fuel taxes, effective August 1, 1984.

Residual Fuel

DELIVERIES DOWN 2%.

While deliveries of residual fuel oil were 22 MBD (1.7%) below last July's, the prior months' trend of gradually-improving overall year-to-year comparisons continues.

Bunker fuel oil sales over the past few months have been somewhat below year-earlier levels, perhaps by about 40 MBD. Recent market uncertainty is likely to have resulted in a continuation of this decline rate in July, or an even larger decrease.

Electricity production, up about 8% over last year through the first half of the year, experienced only minimal change during July, in part because last July's hot weather had pushed up electricity needs; July 1984 was cooler than normal. Purchases of

petroleum products by electric utilities have followed an erratic course this year, showing year-to-year increases early in the year, followed by subsequent declines. For the first five months as a whole, the utilities' purchases increased by about 25 MBD. Early 1984 increases, however, may well have been misleading, as they likely were mainly the result of harsh winter weather. During that time period, utilities apparently resorted to the greater use of residual fuel oil as a readily-available fuel source to fill temporary, added requirements. During the last three months for which data are available (i.e. March through May 1984), the electric utilities' purchases dropped some 70 MBD compared with the corresponding 1983 period. This may be a better indicator of recent purchase patterns.

"Industrial and other" residual fuel oil demand has been experiencing some year-to-year increases since spring, partly because, during that period in 1983, deliveries were approaching recent-year lows. Recovery of the economy (industrial production up almost 12% in June over June 1983), however, has not as yet been proportionately reflected in this sector. Residual fuel oil prices, which had been relatively steady during the spring—though higher than in the corresponding 1983 period—declined somewhat in July. As prices for natural gas—its major competitor in dual-capability boiler installations—have been relatively stable, there has been no clear-cut added incentive for fuel selection to meet higher energy demand arising from the robust economic recovery.

Kerosine Jet Fuel

UP 11% IN JULY. Kerosine jet fuel was supplied at an 11% higher rate than last July. While, for 7 months, deliveries are still some 14% greater than last year, the last three months have shown a growing degree of parallelism between deliveries and "miles flown", both recently running at a roughly 11% higher rate than a year ago.

Other Oils

DELIVERIES INCREASED AT A SLOWER RATE. The July year-to-year advance of about 116 MBD (3.1%) in levels of other oils supplied, after many months of larger increases, may reflect some downward adjustment of customer inventories. Chemical companies continued to report significant sales gains in the latest quarter over last year's levels, and road building and maintenance activities are also proceeding at a strong pace.

(In millions of B/D)	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total domestic products supplied	15.7	15.0	4.3	15.8	14.9	5.9
—Motor gasoline supplied	7.1	6.8	4.3	6.7	6.5	2.1
—Distillate fuel oil supplied	2.5	2.3	10.8	2.9	2.6	12.0
—Residual fuel oil supplied	1.3	1.3	(1.7)	1.5	1.4	3.7

PETROLEUM SUPPLY [1/]

Total supply rose 414 MBD as a result of increased total domestic supply (504 MBD) offset by a 90 MBD imports decline.

Production

UP 1.1% IN JULY. Crude oil production rose an estimated 93 MBD (1.1%) over last July's level, mainly as a result of increased lower 48 production. While recent slight net increases in total U.S. production have been mainly the result of gradually rising Alaskan output, lower 48 production has held up well since decontrol of oil prices in early 1981. During the seventies, new production was insufficient to offset natural field declines, resulting in average annual production decreases of some 300 MBD.

Imports

DOWN ABOUT 2% FROM LAST YEAR'S LEVEL. Imports were 90 MBD (1.6%) lower than last July's, the net result of lower crude imports being only partially offset by an increase in product imports. Residual fuel oil imports were higher, but gasoline and distillate imports were both below last July's, though up substantially on a year-to-date basis. Crude imports in the second quarter were almost 350 MBD above the corresponding 1983 period, while July crude imports were some 170 MBD below last year. Deterioration of spot crude prices may have caused some hesitation on the part of buyers, especially since crude inventories have continued to be relatively high.

During May (latest month available), Canada was the leading source of petroleum imports, followed by Mexico, Venezuela, and Indonesia.

Net dependency, at 30%, remained at the prior month's level, but fell some three percentage points from July 1983's, largely due to the effect of world price uncertainties on import levels.

Inventories

GASOLINE INVENTORIES RETURNING TO MORE NORMAL LEVELS. DISTILLATE INVENTORIES RISING. July total inventories, at the same level as in June, failed to experience the normal seasonal increase. While product demand continued to be strong, price uncertainty may have resulted in deferral of imports, contributing to a lack of seasonal change in total petroleum inventories. About half the shortfall, however, is the result of a reduction in gasoline inventories roughly 9 million barrels greater than normal for this time of year to a more seasonal level of about 34 days of supply. Distillate inventory accumulation in preparation for the next heating season, however, proceeded at its normal pace. Higher distillate yields are contributing to the inventory build-up. Distillate yields averaged about 1 1/2 percentage points more in July than a year ago. As a result, distillate production in July was about 120 MBD greater than last year, despite somewhat lower crude runs.

Refinery Operations

UTILIZATION AT ABOUT 77%. July's capacity utilization rate, at close to 77%, was almost two percentage points above last year's, because the reduction in operable capacity was roughly three times as great as the decrease in input to distillation units.

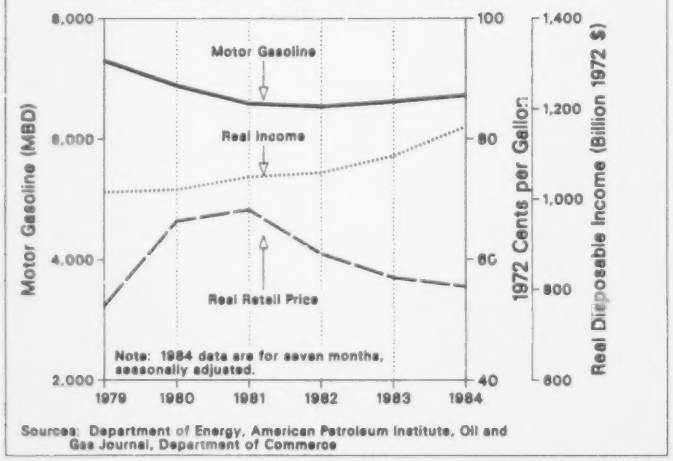
Exploration

ACTIVITY INCREASED OVER LAST YEAR'S LEVELS. Rig activity was about 17% greater in July than a year ago but, seasonally adjusted, has increased little since early this year. While the number of wells reported drilled rose 7% in June over the year-earlier level, it still fell slightly short of the seasonally-adjusted February-May average. July data are not yet available.

(In millions of B/D)	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1984	1983	% Change	1984	1983	% Change
—Total supply	16.4	16.0	2.6	16.6	15.4	8.2
—Crude production[2/]	8.7	8.6	1.1	8.7	8.7	0.5
—Crude oil imports[3/4/]	3.4	3.6	(4.7)	3.3	2.8	14.6
—Product imports	1.9	1.9	4.2	2.1	1.6	30.2

MOTOR GASOLINE SUPPLIED, REAL GASOLINE PRICES, AND REAL DISPOSABLE PERSONAL INCOME

EXHIBIT I



Sources: Department of Energy, American Petroleum Institute, Oil and Gas Journal, Department of Commerce

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 424 million barrels as of July 31, 1984).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JULY			YEAR-TO-DATE		
	1984[1]	1983[2]	% Change	1984[3R]	1983[2]	% Change
Products Supplied:						
Total motor gasoline	7,055	6,765	4.3	6,674	6,536	2.1
Finished leaded motor gasoline*	2,916	3,020	(3.4)	2,806	2,985	(6.0)
Finished unleaded motor gasoline*	4,139	3,745	10.5	3,868	3,551	8.9
Naphtha-jet	220	216	1.9	216	213	1.4
Kerosine-jet	959	861	11.4	932	817	14.1
Distillate fuel oil	2,516	2,270	10.8	2,936	2,622	12.0
Residual fuel oil	1,277	1,299	(1.7)	1,498	1,444	3.7
All other oils[4]	3,850	3,734	3.1	3,775	3,452	9.4
Reclassified[5]	- 208	- 124	67.7	- 211	- 144	46.5
Total domestic products supplied	15,669	15,021	4.3	15,820	14,940	5.9
Exports	750	571	31.3	696	805	(13.5)
Total products supplied	16,419	15,592	5.3	16,516	15,745	4.9
Supply:						
Domestic production:						
Crude oil[6]	8,729	8,636	1.1	8,734	8,694	0.5
Natural gas liquids	1,590	1,539	3.3	1,600	1,536	4.2
Other supply[7]	723	363	99.2	922	670	37.6
Total domestic supply	11,042	10,538	4.8	11,256	10,900	3.3
Imports:						
Crude oil, total	3,428[10/]	3,597[10/]	(4.7)	3,262[10/]	2,847[10/]	14.6
Canadian	258	330	(21.8)	340	263	29.3
Other	3,170	3,267	(3.0)	2,922	2,584	13.1
Products, total	1,949	1,870	4.2	2,101	1,614	30.2
Residual fuel oil	726	684	6.1	781	697	12.1
Other	1,223	1,186	3.1	1,320	917	43.9
Total imports	5,377	5,467	(1.6)	5,363	4,461	20.2
Total supply	16,419	16,005	2.6	16,619	15,361	8.2
Stock change, all oils	-	+ 413	XXXX	+ 103	- 384	XXXX
Refinery Operations						
Input to crude oil distillation units	12,324	12,609	(2.3)	12,212	11,810	3.4
Operable capacity	16,074	16,842	(4.6)	16,138	16,854	(4.2)
Refinery utilization (%)[8]	76.7%	74.9%	2.4	75.7%	70.1%	8.0
Crude oil runs	12,133	12,360	(1.8)	12,030	11,511	4.5

Stocks (millions bbls.)	1984		1983[2]	% Change from . . .	
	July 31[9]	June 30[9]	July 31	Previous Month	Year Ago
Crude oil 10/	353.5	356.1	335.1	(0.7)	5.5
Unfinished oils	106.3	109.0	108.0	(2.5)	(1.6)
Total motor gasoline**	236.6	249.4r/	230.5	(5.1)	2.6
Finished leaded motor gasoline*	91.2	97.9r/	98.0	(6.8)	(6.9)
Finished unleaded motor gasoline*	107.0	109.4	91.9	(2.2)	16.4
Naphtha-jet	7.1	6.6	7.1	7.6	-
Kerosine-jet	35.2	34.4	33.7	2.3	4.5
Distillate fuel oil	126.7	113.6	130.7	11.5	(3.1)
Residual fuel oil	50.6	49.3r/	51.9	2.6	(2.5)
All other oils	180.5	178.1r/	188.8	1.3	(4.4)
Total all oils	1,096.5	1,096.5r/	1,085.8	-	1.0

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-May, U.S. Department of Energy, June-July, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.